

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-01 INR-07 IO-14 NEA-10 NSAE-00 USIA-15
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 PA-02 PRS-01 XMB-04 NSC-05 STR-04
/128 W

-----046190 022351Z /70

R 020940Z AUG 77

FM AMEMBASSY STOCKHOLM
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AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA

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E.O. 11652: N/A
TAGS: EFIN, SW
SUBJECT: SWEDISH ECONOMICS MINISTER DENIES RUMORS OF IMPENDING
APPRECIABLE DEPRECIATION OF SWEDISH CURRENCY

REF: STOCKHOLM 3134

1. ACCORDING TO THE STOCKHOLM DAILY NEWSPAPER DAGENS NYHETER OF JULY 29, SWEDEN'S ECONOMICS MINISTER GOSTA BOHMAN TOLD THE AP NEWS AGENCY IN PARIS RECENTLY THAT SWEDEN WOULD BE FORCED TO LEAVE THE SNAKE IF THE SWEDES UNDERTOOK "AN APPRECIABLE DEVALUATION OF THE KRONA." MINISTER BOHMAN ADDED THAT IT WOULD BE UP TO THE OTHER NATIONS IN THE SNAKE TO DECIDE WHETHER SWEDISH DEVALUATION IN EXCESS OF SIX PERCENT WOULD BE COMPATIBLE WITH CONTINUED SNAKE MEMBERSHIP. THE SWEDISH ECONOMICS MINISTER, HOWEVER, REPORTEDLY SAID THAT HE WOULD PREFER TO HAVE SWEDEN REMAIN WITHIN THE SNAKE. TO LEAVE IT WOULD HAVE NEGATIVE POLITICAL CONSEQUENCES--EVEN THOUGH THE VALUE OF THE SNAKE IS UNDER DISCUSSION IN WEST GERMANY, MINISTER BOHMAN SAID.

2. DAGENS NYHETER STATED EDITORIALY ON JULY 29 THAT MINISTER BOHMAN'S STATEMENTS, AS CITED IN THE AP TELEGRAM, WERE ANYTHING BUT CRYSTAL CLEAR. THEY COULD, AND CERTAINLY WILL, BE INTERPRETED AS MEANING THAT SWEDEN IS NOW PRESSURING THE OTHER COUNTRIES IN THE SNAKE INTO ALLOWING IT TO DEVALUE THE KRONA ONCE AGAIN--THIS TIME BY EVEN MORE THAN THE SIX-PERCENT DEVALUATION IT HAD BEEN ALLOWED TO UNDERTAKE ON APRIL 1, 1977, ACCORDING TO THE DAGENS NYHETER EDITORIAL. BOHMAN MEANT, CONCLUDED THE STOCKHOLM DAILY, THAT IF SWEDEN COULD NOT HAVE ITS OWN WAY, IT WOULD BE PREPARED TO LEAVE THE SNAKE AND ALLOW THE KRONA TO UNCLASSIFIED

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FLOAT, EVEN IF THAT COULD MEAN A BREAKDOWN IN MONETARY COOPERATION AND EXPOSE SWEDEN TO SEVERE CRITISM.

3. MINISTER BOHMAN'S STATEMENTS TO THE AP NEWS AGENCY CAUSED A GREAT DEAL OF SPECULATION, BOTH IN SWEDEN AND ABROAD, AS TO AN IMMINENT DEVALUATION OF THE SWEDISH KRONA. LATE FRIDAY, JULY 29, THE SWEDISH ECONOMICS MINISTER, FROM HIS VACATION RETREAT IN THE STOCKHOLM ARCHIPELAGO, TOLD THE PRESS THAT SWEDEN HAS NO INTENTION OF LEAVING THE SNAKE. BOHMAN INDICATED THAT A LARGE DEVALUATION IS "OUT OF THE QUESTION" SINCE THAT WOULD OBLIGE SWEDEN TO LEAVE THE SNAKE.

4. COMMENT. IT IS NOTED THAT IN DENYING THE RUMORS OF AN IMPENDING SWEDISH DEVALUATION, ECONOMICS MINISTER BOHMAN REFERRED TO A "LARGE DEVALUATION." THE CONSENSUS IN SWEDISH FINANCIAL CIRCLES, THEREFORE, IS THAT EVENTUALLY THERE IS LIKELY TO BE A FURTHER MODERATE DEVALUATION WHICH WOULD PERMIT SWEDEN TO STAY WITHIN THE SNAKE. DURING THE PAST FEW DAYS, CURRENCY SPECULATORS HAVE REPORTEDLY BELEAGUERED THE SWEDISH BANKS TO BUY HARD CURRENCIES, NOTABLY DMARKS. LATE FRIDAY, JULY 29, MOST BANKS REPORTED THEY HAD "RUN OUT OF DMARKS." THE DEMAND IS NOT ONLY FROM FIRMS AND PRIVATE INDIVIDUALS, BUT FROM THE BANKS

THEMSELVES. PURCHASES OF FOREIGN CURRENCIES BY PRIVATE INDIVIDUALS
ARE LIMITED TO THE EQUIVALENT OF SKR 6,000 PER PERSON, BUT THAT
RULE IS SAID TO BE NEITHER EASY TO ENFORCE NOR
STRICTLY OBSERVED.
PERRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEPRECIATION, CURRENCIES, ALLEGATIONS
Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH03182
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770277-0253
Format: TEL
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708104/aaaadkrw.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 42a3144f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STOCKHOLM 3134
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1412871
Secure: OPEN
Status: NATIVE
Subject: SWEDISH ECONOMICS MINISTER DENIES RUMORS OF IMPENDING APPRECIABLE DEPRECIATION OF SWEDISH CURRENCY
TAGS: EFIN, SW
To: STATE USEEC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/42a3144f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009